

1. CAS Data	
Country: Vietnam	
CAS Year: FY2003	CAS Period: FY03 – FY06
CASCR Review Period: FY03 – FY06	Date of this review: 01/29/2007
2. Executive Summary	
<p>This Review examines implementation of, and outcomes associated with, the FY03-FY06 Vietnam CAS and evaluates the 2006 CASCR. An IEG evaluation of Bank assistance in FY02 (hereinafter the FY02 CAE), prior to the FY03 CAS, concluded that synergy between Bank ESW and lending had been important in promoting reforms, and that much of the reform process, especially trade liberalization, was irreversible. The FY02 CAE also concluded that the Bank had been less successful in achieving progress on its strategic objectives for SOE reform and banking reform.</p> <p>Over the FY03-06 period, the Bank had a wide-ranging program of lending and AAA that addressed nearly every aspect of growth and poverty in Vietnam. Bank investment projects often addressed a limited region or segment of the population for which the link to the impressive national-level outcomes is not easily established. The CASCR offers some evidence that it was the Bank's AAA, rather than its lending, that may have been the more potent influence in producing Vietnam's positive outcome, or that—as concluded in the FY02 CAE—it may have been the synergy between lending and AAA that created the openings for success in policy dialogue.</p> <p>The CAS had three main objectives. The first objective was to help Vietnam reform state-owned enterprises and financial institutions, create a level playing field for businesses, and integrate itself into the world economy. Within the context of strong macroeconomic performance (7.8 percent GDP growth per year between 2002 and 2005), progress on this first pillar, focusing on structural reforms, has been rated by IEG as <i>moderately satisfactory</i>. While progress towards integration in the world economy was good, progress was much more limited in SOE and financial sector reforms, and other indicators of private sector development also paint a mixed picture, as discussed below. The second CAS objective was to help improve social and gender indicators and environmental conditions in the country, especially in poorer areas. Within an overall context of rapid poverty reduction—from 29 percent of the population in 2002 to 19.5 percent in 2004—most indicators show good progress in relation to the objective. On this basis, even though the absence of outcome indicators to gauge progress on environmental sustainability makes it difficult to assess this area, IEG has rated the outcome associated with this pillar as <i>satisfactory</i>. The third CAS objective was to help improve governance, particularly in public financial management, public administration, and anti-corruption. While several (process-related) reform measures were taken, the degree to which corresponding governance-related <u>outcomes</u> improved is less clear. However, foreign direct investment (FDI)—a variable that is arguably sensitive to the state of governance—has grown rapidly. On this basis, the outcome of this third pillar is rated <i>moderately satisfactory</i>. On the whole, despite areas of concern, such as the limited progress on SOE and financial sector reform, Vietnam's vigorous economic growth and rapid reduction in poverty has led IEG to rate the overall outcome of Bank assistance to the country as <i>satisfactory</i>.</p> <p>The Bank's assistance strategy was highly relevant to the main challenges facing Vietnam; the scope and focus of the assistance was consistent with the strategy, and the quality of its AAA in particular was very good. Donor collaboration was strong. Bank performance is rated as <i>satisfactory</i>.</p>	

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3. CASCR Summary

Overview of CAS Relevance:

The FY03 CAS was developed to support Vietnam's PRSP, which had been discussed by the Board in June 2002. It generally continued the approach taken in the previous CAS of promoting movement toward a market-based economy, while addressing poverty and governance issues.

The Bank's CAS objectives were closely aligned with the PRSP, and highly relevant to the Vietnamese development context. They were to:

- o Promote Vietnam's completion of transition to a market economy by helping to: reform state-owned enterprises and financial institutions; create a level playing field for all businesses, independent of ownership; and integrate the country into the world economy.
- o Promote equitable, inclusive and sustainable development by helping the government to: improve the livelihoods of disadvantaged people; develop lagging areas; promote sustainable use of natural resources; and ensure that basic social services are accessible and affordable for the poor; and
- o Promote good governance by supporting government efforts to: modernize the public administration; improve public financial management; and establish a legal framework compatible with international practice.

The CAS identified low-, base- and high-case funding levels, though the triggers for these various levels of support were ambiguous.

Overview of CAS Implementation:

The Bank program in Vietnam during FY03-06 was implemented in a manner broadly consistent with the approach proposed in the CAS.

The Bank lent for 23 operations during the CAS period. Sixteen of these were in the CAS (either base case or high case), while seven operations were not. Altogether, actual commitments totaled \$2.43 billion, slightly above the CAS base case of \$2.33 billion.

Commitments tracked the base case, but disbursements lagged expectations. There were 17 actual project closures during FY02-06, compared with 42 planned closures. The CASCR provides little specificity about the factors underlying this large shortfall.

As indicated in Annex 2, all but one of the 26 pieces of AAA proposed in the CAS were undertaken. These included several important analyses of Vietnamese government finances and procedures, including a country procurement assessment, MTEFs in four sectors, and a public expenditure review. The exception was a CFAA, planned for FY04, which was not undertaken. The Bank's Vietnam Development Reports, prepared annually, have been widely disseminated and are an important source of discussion of critical issues such as poverty and the impact of government policies. IFC produced numerous newsletters and other reports, and led a bi-annual Vietnam Business Forum that has fostered dialogue between the government and the business community. QAG rated the Vietnam AAA program as highly satisfactory.

During the CAS period, the portfolio at risk varied from a high of 15 percent of projects in FY03 to a low of zero in FY05. For FY04-06, the average was 5.1 percent of projects, below the EAP average. All eight operations that closed during the CAS period were rated satisfactory. The six operations where sustainability was evaluated were all rated as likely. Institutional development impact, however, trailed the EAP and Bank-wide averages.

IFC made commitments for 11 operations totaling \$103 million during the period, mostly under the first

pillar. This volume of IFC investment was not as high as the period just before the Asian Crisis, but higher than the preceding CAS period. IFC also provided technical assistance aimed at promoting a market-driven and private-sector-led economy. MIGA guaranteed an investment in a BOT power project.

A mid-term review of the CAS in January 2004 supported continued lending at the high end of the base case. It expressed disappointment with the slow progress in moving from investment projects to SWAs, and with the pace of SOE reform, but was optimistic regarding progress in reforming the financial sector and faster disbursement of the ongoing portfolio. It expected disbursements in FY04 to exceed those of the previous fiscal year. Instead, disbursements were \$30 million lower in FY04 than in FY03. Disbursements in FY05 and FY06 were below even that level.

Overview of Achievement by Objective:

Objective 1: Promote rapid, sustainable growth by a transition to a market-based economy.

Vietnamese GDP grew by an average of 7.8 percent in real terms over the period, while population grew at only 1.1 percent per year. At this rate, average income in Vietnam would double every 11 years. Nevertheless, progress in shifting towards a market-based economy was modest in the two areas—financial sector and SOEs—that had received primary emphasis in the CAS. Based on available data, only 9 of the 20 specific objectives in this area were achieved. Little also appears to have been achieved on another CAS objective—better corporate governance. In contrast, achievements in trade liberalization—supported by the Bank mainly through AAA—were substantial. Although progress was not immediately reflected in the *Doing Business* rankings (Vietnam was still ranked only 104th out of 175 countries in 2007, compared with 98th out of 155 countries the year before). At the same time, low *Doing Business* rankings have not been an obstacle to large FDI flows to China (ranked even lower on the index than Vietnam for 2006) or to Vietnam itself. Because trade opening and private sector development as “revealed” by the rapid expansion in the share of private investment in GDP (see below) or the volume of FDI appear to have been more important in driving economic growth than the other sub-objectives (financial sector, SOE, and corporate governance reforms), the overall outcome associated with this objective is rated as moderately satisfactory.

Five sub-objectives were identified in the CAS:

- Strengthen the capacity of the financial sector to allocate credit on a sound basis. The Bank addressed this objective through policy measures embedded in PRSCs and TA on bank supervision and other technical aspects of financial sector reform. IFC made equity investments in two commercial banks. Progress in this area appears to have been slow, as the share of non-performing loans continued to be high, growing as a share of GDP over the CAS period. Moreover, the IMF reported in late 2005 that the government's Development Assistance Fund, its main vehicle for development loans (a portfolio equal to 12 percent of GDP), though having tightened eligibility requirements in 2004, continued to be very weak in loan appraisal capacity.
- Reform SOEs to strengthen their efficiency and competitiveness. The Bank provided technical assistance for divestiture and restructuring of SOEs, and assistance from its energy portfolio in the drafting of a new energy law. Some progress occurred, though less than expected in the CAS. The CASCR rated the outcome in this area as satisfactory, though only one of five objectives was achieved. (It is also true however, that CAS outcome targets in this area were ambitious.) The number of SOEs was reduced from 5,334 to 3,000, compared with a CAS target of 2,100, and the share of bank credit going to SOEs fell from 42 percent to 32 percent, above the CAS target of less than 25 percent. The CASCR provided no information on the change in the share of SOE value added, employment or debt, making the effect of this reduction difficult to assess, but the fact that a reduction of 44 percent in the number of SOEs led only to a 24 percent reduction in the share of credit flowing to SOEs suggests that the eliminated SOEs were of less-than-average economic significance. On the positive side, a new electricity law promoted by the Bank has increased the

scope for private participation in the sector.

- A more level playing field for the private sector. The PRSC was the vehicle for policy dialogue on private sector issues, including private access to land. Numerous IFC publications and newsletters probably also contributed to the improvement in the climate for the private sector. A BOT power project used an IDA guarantee to leverage private participation in power generation, and the Mekong Private Sector Development Facility continued to strengthen the capacity of local financial institutions to increase financial access for SMEs. Considerable progress was made in this area, with rapid growth in the number of formal private businesses. The number of people employed in the private sector rose from 0.6 million in 2001 to 2.8 million in 2005. The CASCR states that the target for 2006 was 5 million people employed in the private sector, but the CAS itself only sought to achieve that level by 2012. The country appears to be on a path to easily achieve the CAS goal. The share of private investment in GDP rose from 14 percent in 2001 to 18 percent in 2005, versus a target for 2006 of 20 percent. Three other targets noted in the CAS were also achieved.
- Promote better corporate governance and corporate social responsibility. The CAS proposed AAA work to improve the “economic, social and environmental practices” of businesses in ways that help both business and society. The initial area for emphasis was to be labor policies. The CAS progress report mentioned a Bank-supported study that examined the scope for public action on labor issues in the textile, garment and footwear industries, and expressed the hope that the Ministry of Labor would undertake pilot activities to address some to the recommendations of the study. The CASCR gives minimal attention to this sub-objective and none to labor policy, suggesting that progress in this area was not of great significance.
- Strengthen the integration with the world economy. The Bank used the PRSCs for policy action, and provided AAA in a variety of areas related to WTO accession, complemented by WBI training courses on WTO readiness. A new customs modernization project in FY06 is expected to foster further improvements in Vietnam’s integration with the world. Progress in this area was highly satisfactory. Exports grew by 109 percent between 2001 and 2005, while imports rose by 128 percent. As a share of GDP, exports rose from 41 percent in 2001 to 61 percent in 2005, exceeding the CAS target for 2006 of 55 percent. Before the CAS period, the government had already locked in its commitment to opening the economy by signing trade agreements with the United States and ASEAN, but implementation was still an issue requiring action during the CAS period. WTO accession was achieved before the end of 2006. In all, four of six objectives in this area were amply met, with insufficient information on the other two. One of the latter was private-sector exports, which rose from 44 percent of non-oil exports in 2001 to 77 percent in 2005—an impressive performance, suggesting that the ambitious CAS target of 85 percent by 2006 might well be achieved.

- **Objective 2: Equitable, inclusive and sustainable development.**

This objective sought to improve educational, health, ethnic, gender, and environmental conditions in the country, especially in poorer areas. For gender (no outcome indicators were reported) and environment (the only one of five targets that was unambiguously achieved was a process-related one), significant progress could not be documented. In other areas, most targets were met or exceeded. The share of communes with basic infrastructure (83 percent) and the share of rural population with clean water and sanitation (62 percent) both exceeded targets. All three health indicators improved more than expected. Most notably, infant mortality fell from 37/1000 in 2001 to 18.5/1000 in 2005. Two of three ambitious education targets were also met. Overall, the outcome is rated as satisfactory.

In terms of the five sub-objectives:

- Narrowing the Development Gap of Disadvantaged and Lagging Areas. This was to be addressed through infrastructure investments and through policy dialogue on the rights of migrants to urban areas.

- ◆ Improving access to markets and social services for lagging regions. This was addressed with three road projects, two other infrastructure projects and a poverty reduction project. The two outcome indicators were both exceeded. By 2005, 83 percent of communes were within 2 km of an all-weather road, versus the target for 2006 of 80 percent. For clean water and sanitation, 62 percent of the rural population had access, up from 48 percent in 2001, exceeding the target of 60 percent. The Bank also sought to increase public expenditure on agricultural research and extension, using several project operations to expand both. The CASCR provides no data on whether public spending actually rose over the CAS period, though it concludes that progress was satisfactory.
- ◆ Addressing needs of the urban poor. The Bank used the PRSC dialogue to promote improvements in legal rights for urban migrants, and projects to provide infrastructure, particularly water to poor urban areas. The one quantitative target (80 percent of the urban population with water and sanitation) appeared achievable by 2006, based on coverage of 79 percent by 2004. The CASCR concluded that progress on the rights of migrants had not been satisfactory, and moreover that the failure to include undocumented urban migrants probably led to an overstatement of coverage for urban social services.
- Raising the living standards of ethnic minorities. The Bank has addressed this both through policy dialogue with the government concerning the rights of minorities regarding property and migration, and through operations targeting the poorest regions of the country. The one quantitative target, a reduced school enrollment gap between the ethnic minorities and the rest of the population, was met. The CASCR considers progress to have been only partially satisfactory, as minorities continue to lag far behind the rest of the population. Government statistics suggest a large improvement in the incomes of minorities, though Bank staff consider the methodology used to be questionable.
- Gender equality and advancement for women. The Bank planned to use PRSCs, projects and AAA to help improve the status of women in Vietnam. The major specific target of policy dialogue was institutionalizing the issuance of joint land-use or land-tenure certificates to both spouses. A new land law is said to encourage this, but the CASCR reports that practical use of this provision has been limited, and provides no quantitative information on actual use of the provision or on any other gender-based indicator. At the same time, the CASCR reports a closing of the gender gap on education, health, and some aspects of employment. The 2005 *Vietnam Gender Assessment* provided a baseline for future analysis of this dimension.
- Making Basic Services Accessible and Affordable for the Poor. This was addressed through activities in education and health.
 - ◆ Universalize education and improve quality. The Bank used both policy and projects to promote this goal. The PRSC and targeted budget support were used to fund the Education for All framework, developed in part with Bank TA. An FY03 Education for Disadvantaged Children project targeted access barriers to education for high-risk groups. Two of three outcome targets were reached, but the net primary enrollment target of 98 percent for 2006 may not be met, as it had reached only 95 percent in 2005, up from 91 percent in 1988.
 - ◆ Improve health outcomes. The Bank sought to lower infant and child mortality and to reduce out-of-pocket payments for health by the poor through several projects and the PRSCs. The PRSCs established specific benchmarks for improved delivery of health services. The outcome has been highly satisfactory, with infant mortality falling from 37/1000 in 1998 to 18.5/1000 in 2005, far exceeding the CAS goal. Under-5 mortality also fell dramatically. And the government has instituted programs to reduce out-of-pocket costs for the poor and to subsidize their purchase of insurance.

- Enhancing environmental sustainability and mitigating impacts of natural disasters. The Bank has pursued ambitious CAS goals in this area through the PRSCs, projects, AAA, WBI workshops, and a series of GEF grants. The policy effort promoted development of a national strategy for environmental protection (NSEP). An FY04 forestry project sought to restore forest cover to historic levels. Expected outcomes were only partially achieved. A ministry for the environment was created, the NSEP was approved, and the “polluter pays” principle was introduced, but no outcome indicators were cited to provide evidence that environmental sustainability had improved.

Objective 3: Building modern governance.

In this area, the Bank principally used PRSCs as the basis for policy dialogue, supplemented by AAA. Of the 12 outcome indicators, five were achieved, one was not, and six were uncertain from the available documentation. The evidence suggests that government planning has improved significantly. The MTEF is operational in four sectors, and considerable progress has been made toward public disclosure of government spending and other relevant national statistics. Transparency has been improved by the requirement of publication in the Official Gazette for legal effectiveness of laws and regulations, and progress has been made toward international accounting norms. However, despite these indicators of progress, associated governance outcomes are more difficult to ascertain. WBI’s composite GRICS indices point broadly to deterioration rather than improvement over the past few years in five out of six dimensions of governance (notably the voice and accountability, governmental effectiveness and control of corruption dimensions), although it is important to stress that comparisons of the point-values of these indices over time and across countries have little meaning. (It is also unclear to what extent perceptions can be meaningfully cast as governance-related outcomes, although they presumably drive economic agents’ decisions.) Because the Bank’s assistance was focused most heavily in the areas of improving information, transparency and public financial management, and the CAS acknowledged that support for the other sub-objectives would focus on laying the groundwork for medium- and long-term reforms rather than help to push forward actual reforms, it is reasonable to conclude that the first sub-objective was the principal driver of CAS outcomes related to this objective, such as the rapid rise in FDI. On this basis, the outcome of Bank assistance relating to this objective is judged overall to be moderately satisfactory.

In terms of the four sub-objectives:

- Improving information, transparency and public financial management. The Bank used AAA and a Public Finance Management Project in FY03 to seek very broad reforms in government financial management. A CPAR and a PER/Integrated Fiduciary Assessment were all undertaken during the CAS period, though a planned CFAA was not done. The outcome was satisfactory, with numerous improvements. Although the state budget had already been published in summary form since 1999, the amount of detail has increased over time, and the legislature’s role in budget approval has increased. Nevertheless, the *Open Budget*, in its October 2006 rating, included Vietnam as one of the lowest-performing countries in budget disclosure. An integrated information system unifying the treasury and budget accounting was also introduced. A national audit unit, reporting to the legislature, has been established, and new accounting and audit standards have been put in place. At the same time, the indicators used by the both the Bank and the Millennium Challenge Corporation to measure voice and accountability of government place Vietnam well below the median for all low-income countries, with a broadly declining trend during the CAS period.
- A legal system based on the rule of law. The Bank sought to use a legal needs assessment it prepared as the basis for a legal system development strategy (LSDS), and had planned a legal development project. The Vietnamese government, after a delay, approved the LSDS, in late 2006, with the expectation that this strategy will be implemented by 2010. Some progress

was also made on smaller issues, including a requirement that legal documents do not become effective until published in the Official Gazette.

- Public Administration reform. The CAS strategy envisioned the Bank supporting only improvements in public financial management, with other donors taking the lead in the public administration aspects of governmental reform. The Bank went modestly beyond this in providing AAA for the 2004 Vietnam Development Report's focus on governance, and in preparing an FY06 project for reform of Vietnamese customs, including reform of the bureaucratic organization of that government unit. Bank involvement in this area has been modest, and no clear indicators of outcomes in this area are available. It has also promoted use of information technology and e-government through AAA, a recent IDF grant, and an FY06 ICT project. Recent statistics put internet use at 17 percent of the population, above the average for Asia, and reflecting dramatic growth during the CAS period.
- Fighting corruption. The Bank has supported this objective through the public finance reforms discussed earlier, including the FY06 Customs Modernization project, through more transparent public procurement, and through encouragement of simplification of administrative processes by the introduction of the one-stop-shop model. The CASCR concludes that progress has been slow except in the public financial management area discussed above, and identifies a stronger legal framework, a complaint mechanism, and a procurement monitoring mechanism as pieces of unfinished business. Although the Region has identified a number of steps that Vietnam has taken to address corruption, including asset declaration by senior officials, the GRICS composite index for control of corruption shows Vietnam sliding from the 31st percentile in 2002 to the 27th percentile in 2005. As indicated earlier, although little significance can be attached to the number of points by which this index moves, the broad direction does not appear to be favorable.

Achievement of CAS Objectives

Objectives	CASCR Rating	IEG Rating	Explanation / Comments
Supporting Transition towards a Market-Oriented Economy	Satisfactory	Moderately Satisfactory	While progress was made on integrating into the world economy, the Bank's objectives for SOEs, financial sector, corporate governance and corporate social responsibility were not met. Indicators of private sector development are mixed.
Enhancing Equitable, Socially Inclusive and Sustainable Development	Satisfactory	Satisfactory	There were notable improvements in indicators such as percent of communes with access to basic services, percent with access to clean water and sanitation, and infant mortality. While the CASCR provided little outcome data on gender and environment, it suggests that significant progress has been made in these areas.
Promote Good Governance	Moderately Satisfactory	Moderately Satisfactory	Progress was slower than expected in the CAS. There has been definite forward movement

			in this area, but more in process-related changes than in outcomes, particularly in processes that should lead to more transparent and responsive government.
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Comments on Bank Performance:

The Bank's assistance strategy was clearly aligned with the country's needs and was linked closely to its PRSP—which itself had strong country ownership. In addition, the Bank appears to have had a close and frank dialogue with the government. At the same time, the CAS failed to meet its expectations in three areas seen as key: SOE reform, financial sector reform, and implementation of Bank's portfolio of investment projects. It is striking that these were the same three areas where the previous CAS met with disappointing results. On implementation, the CASCR states that numerous steps are being taken by both the Bank and the government to speed implementation. Little progress was documented in corporate governance, corporate social responsibility, and environment. Since Vietnamese outcomes during both periods in terms of GDP growth and poverty reduction were among the best in the world, it is plausible that the Vietnamese government gave less credence to the benefits of Bank prescriptions than to their own, more incremental, approach—supplemented by their analysis of the Bank's AAA.

The Bank's collaboration with other donors appears to have been strong. The CASCR identifies numerous cases where the Bank co-financed operations with other donors, or collaborated in other ways. Perhaps most notably, the Bank obtained co-financing from four donors for PRSC I, from seven other donors for PRSC III, and is expecting 17 donors to participate in PRSC V.

The Bank's slow disbursements on investment projects and the large shortfall between expected and actual project closings merits further review, with the aim of finding ways to expedite project implementation.

The CASCR reports that two client surveys carried out in 2003 and 2005 indicated high levels of satisfaction with the Bank's contribution, as well as a preference by clients to work with the Bank. Overall, the Bank's performance is rated satisfactory.

4. Overall IEG Assessment

Outcome:	<i>Rating: Satisfactory</i>
Bank Performance:	<i>Rating: Satisfactory</i>

Vietnam continued to make rapid progress during the CAS period, with Bank promotion of markets and the private sector helping create pressures that widened and deepened the importance of markets and the private sector. The country's development progress was remarkable in both economic growth and poverty reduction. In the latter case, the rapid improvement is independent of whether the latter is measured by changes in income or by changes in basic health and education indicators. The available evidence suggests that the Bank made important contributions to Vietnam's rapid economic growth.

Nevertheless, the outcomes of the specific objectives of the Bank's assistance strategy were somewhat mixed, although on balance positive. In the economic growth area, progress on three of the five Bank sub-objectives (SOE reform, financial sector liberalization, and corporate governance) was modest at best. For the first two, this was a repetition of the experience in the previous CAS. Progress also fell short on some areas of governance reform. In all of these cases, the Bank's AAA appears to have been of high quality, even though key Bank-proposed actions were not adopted by the government. Bank AAA in many other areas appears to have been important to Vietnam's dramatic progress in both economic growth and poverty reduction.

5. Assessment of CAS Completion Report

The CASCR offers a generally careful and frank assessment of the implementation and outcomes of the Vietnam country program. The document identifies the numerous sub-goals of the CAS, and clearly describes the progress made toward achievement of most. Nevertheless, some further analysis of the factors that led to the slow progress on reforms of the financial and SOE sectors would have been useful. The document is generally careful in its analysis, though there were numerous areas (e.g., trends in the size of the SOE sector, average size of new businesses being registered, gender trends, environment) where additional quantification would have been useful, including an evaluative assessment of IFC activities. In addition, the CASCR gave little attention to one sub-objective (corporate governance and corporate social responsibility).

The CASCR also devotes considerable attention to the fact that lagging regions, ethnic minorities, and migrants to the cities who lack required approvals, are much poorer than other Vietnamese. In doing so, it sometimes fails to distinguish between trends and levels of well-being, as when the CASCR states in describing outcome performance that "overall, ethnic minority households continue to be dramatically poorer than the rest of the population". It is often unreasonable to expect that many Bank-supported interventions (e.g., better access to primary education for ethnic minorities or better rural infrastructure) will reduce gaps between such groups during the time dimension of any individual CAS. For education, this may require several decades.

6. Findings and Lessons

The CASCR identifies several lessons for the subsequent CAS:

- A focus on implementation: the successful implementation of the existing portfolio should be given as much focus as new lending.
- Counterpart capacity-building. Future lending should give much stronger emphasis on strengthening the capacity of Vietnamese counterpart institutions to implement programs.
- A realistic results framework. The CASCR criticizes the CAS being reviewed for lacking a clear results framework whereby Bank interventions could be linked to results. It calls for the next CAS to give careful attention to a results framework with a clear set of time-phased and monitorable results linked to bank interventions.

IEG agrees with the lessons identified in the CASCR, with one caveat, and suggests one additional lesson.

- Implementation and counterpart capacity-building. The CASCR states that the Bank uses 295 project management units (PMUs) to implement its program, many outside the government. The use of PMUs for management of investment programs, whether funded by donors or the national budget, seems to have a long history in Vietnam, and such units appear to be more closely aligned with normal governmental units than elsewhere. Thus, the issues with this vehicle in Vietnam differ from the usual case. At the same time, the long implementation lags call for more efficient mechanisms.

- Drawing on experience. This is the second consecutive CAS for Vietnam that has fallen significantly short of its expectations in three areas: SOE reform, financial reform, and implementation of the Bank's portfolio. Such a consistent pattern suggests that either the Bank's expectations are far too optimistic, or that its approach to these problems needs to be re-thought.

Annexes

Annex Table 1: Vietnam CAS - Planned vs. Actual Lending

Annex Table 2: Analytical and Advisory Work - Actual vs. Planned, FY03-06

Annex Table 3: IEG Project Ratings

Annex Table 4: Portfolio Status Indicators by Year

Annex Table 5: IBRD / IDA Net Disbursements and Charges

Annex Table 6: Net Aid Flows (net or gross, ODA or ODA+OOD, as relevant)

Annex Table 7: Economic and Social Indicators

Annex Table 8: Millennium Development Goals

Annex Table 1: Vietnam CAS Planned vs. Actual Lending

CAS Proposed FY	Operation	Planned US\$ Millions	Actual FY	Actual US\$ Millions	Status
FY03	Primary Education for Disadvantaged Children	150	Same	139	Active
FY03	Water Resources Assistance	120	Delayed to FY04	158	Active
FY03	Road Network Improvement	180	Delayed to FY04	225	Active
FY03	Phu My II Power	75	Same	75	Active
FY03	PRSC II	100	Same	100	Closed
FY03	Public Finance Management (High Case)	50	Same	54	Active
FY04	Urban Upgrading	150	Same	222	Active
FY04	Rural Energy II	220	Delayed to FY05	220	Active
FY04	Urban Water Supply	100	Delayed to FY05	113	Active
FY04	PRSCIII	100	Same	100	Closed
FY04	Forest Sector Development (High Case)	70	Delayed to FY05	40	Active
FY05	Rural Water and Sanitation/Health Improvement	100	Dropped	0	
FY05	Natural Disaster Mitigation	150	Delayed to FY06	86	Active
FY05	Higher Education II	100	Delayed to FY07		
FY05	Curative Care for the Poor	100	Dropped	0	
FY05	PRSC IV	100	Same	100	Closed
FY06	Poor Communes Infrastructure	200	Delayed to FY07		
FY06	E-Government Systems Development	80	Same	94	Active
FY06	Mekong Region Infrastructure	200	Delayed to FY07		
FY06	PRSC V	100	Same	100	Active
FY06	Education for All SWAp (High Case)	100	Advanced to FY05	50	Active
	Total Planned (Base Case)	2,325		1,876	
<i>Non-Programmed Operations</i>					
FY05	HIV/AIDS Prevention			35	Active
FY05	Payment System and Bank Modernization II			105	Active
FY05	Road Safety			32	Active
FY06	Red River Delta Water Supply			46	Active
FY06	Mekong Regional Health Support			70	Active
FY06	Transportation and Distribution II			200	Active
FY06	Customs Modernization			66	Active
	Total Commitments	2,325		2,430	

Note: The project listing is based on the base-case scenario, except where a high-case operation was undertaken. Except for the PRSCs, no operation begun during the CAS period has yet closed.

Annex Table 2: Analytical and Advisory Work: actual vs planned FY03-06

Document Title	Date	Report No	Status
Country Economic Memorandum	FY03		According to CASCR
Private Sector Assessment	FY03		According to CASCR
Pilot for private involvement in water	FY03		According to CASCR
TA for electricity law	FY03		Completed FY03
Trade and Poverty Study	FY03		Completed FY03
Development Policy Review	FY03		Completed FY04
Program Financing of Rural Roads	FY03		According to CASCR
Transportation Safety Strategy Review	FY03		According to CASCR
Poverty Assessment	FY04		Completed FY05
Country Procurement Assessment Review	FY04		Completed FY03
Country Financial Accountability Assessment	FY04		Incomplete, Last CFAA in FY02
Public Expenditure Review	FY04		PER plus Fiduciary Review, delivered in FY05
Land Use Rights Study	FY04		According to CASCR
SOE reforms in agriculture	FY04		According to CASCR
Reform road map for the power sector	FY04		Completed FY06
MTEF for Health and Education	FY04		According to CASCR
MTEF for Agriculture and Transport	FY04		According to CASCR
Public Financial Management and Fiduciary Review	FY04		Completed FY05
Study of Trade and Competitiveness	FY04		Completed FY03
Early Childhood Development	FY04		Completed FY04
Urban Congestion	FY05		Completed FY05
Forestry and Upland Development	FY05		According to CASCR
Policy Notes on PSD	FY04-06		Completed FY04-06
<i>Additional Reports Delivered</i>			
An overnight success : Vietnam's switch to unleaded gasoline (English)	FY03	ESM257	
Vietnam - Petroleum sector technical assistance for the revision of the existing legal and regulatory framework (English)	FY04	ESM269	
Vietnam - Country Assistance Strategy Progress Report (English)	FY04	27659	
Vietnam - Coffee sector report (English)	FY04	29358	
Vietnam - Financial Sector Policy Issues Note : Vietnam Bank for Social Policies (English)	FY05	32717	
Vietnam - Development Report 2005 - Governance (English)	FY05	30462	
Fisheries and aquaculture sector study (English)	FY05	31695	
Vietnam - Poverty reduction strategy paper annual progress report and joint staff advisory note (English)	FY06	33122	
Vietnam - Business : Vietnam development report (English)	FY06	34474	
Vietnam - Food safety and agricultural health action plan (English)	FY06	35231	
Vietnam : Poverty reduction strategy paper annual progress report and joint IDA / IMF staff advisory note (English)	FY06	36369	

Source: Imagebank as of 9/5/06.

Annex Table 3: IEG Project Ratings for Vietnam, Exit FY03-06

Exit FY	Project ID	Total Evaluated (\$M)	IEG Outcome	IEG Sustainability	IEG ID Impact
2003	IRRIGATION REHABILITATION PROJECT	79.3	SATISFACTORY	LIKELY	SUBSTANTIAL
	VN-PRIMARY EDUCATION	67.1	MODERATELY SATISFACTORY	LIKELY	MODEST
	VN-2nd Hwy Rehab	173.6	MODERATELY SATISFACTORY	NON-EVALUABLE	MODEST
	VIETNAM - POVERTY REDUC.SUPPORT CREDIT	260.9	MODERATELY SATISFACTORY	NON-EVALUABLE	MODEST
2004	VN-POPULATION & FAMILY HEALTH	44.6	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
	BANKING SYSTEM MODERNIZATION	40.2	SATISFACTORY	LIKELY	SUBSTANTIAL
	Vietnam PRSC II	106.7	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
2005	Vietnam PRSC III	103.6	SATISFACTORY	LIKELY	SUBSTANTIAL

	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	Inst Dev Impact % Subst (\$)	Inst Dev Impact % Subst (No)	Sustainability % Likely (\$)	Sustainability % Likely (No)
Vietnam	876.0	8	100.0	100.0	43	62.5	100.0	100.0
EAP	12,260.7	132	89.6	81.7	76	64.9	92.3	82.5
Bank Wide	59,296.9	887	82.0	78.7	59	54.9	82.7	78.9

Source: WB Business Warehouse as of 9/5/06.

Annex Table 4: Portfolio Status Indicators by Year
(in US\$ Millions)

Fiscal year		2003	2004	2005	2006
Vietnam	# Proj	26	27	34	37
	Net Comm Amt	2,479.0	2,983.2	3,514.7	3,949.5
	# Proj At Risk	4	2	0	3
	% At Risk	15.4	7.4	0.0	8.1
	Comm At Risk	305.6	220.0	0.0	285.0
	% Commit at Risk	12.3	7.4	0.0	7.2
Indonesia	# Proj	38	31	29	25
	Net Comm Amt	2,995.6	2,602.3	2,574.2	2,299.7
	# Proj At Risk	6	6	4	2
	% At Risk	15.8	19.4	13.8	8.0
	Comm At Risk	369.1	533.8	260.7	105.9
	% Commit at Risk	12.3	20.5	10.1	4.6
Laos	# Proj	12	12	11	13
	Net Comm Amt	215.7	232.3	167.4	173.7
	# Proj At Risk	1	0	2	1
	% At Risk	8.3	0.0	18.2	7.7
	Comm At Risk	34.7	0.0	18.4	16.7
	% Commit at Risk	16.1	0.0	11.0	9.6
Cambodia	# Proj	16	14	13	12
	Net Comm Amt	337.1	314.7	270.5	256.2
	# Proj At Risk	4	3	2	3
	% At Risk	25.0	21.4	15.4	25.0
	Comm At Risk	80.2	22.4	26.6	62.6
	% Commit at Risk	23.8	7.1	9.8	24.4
Thailand	# Proj	5	3	1	1
	Net Comm Amt	563.8	247.3	84.3	84.3
	# Proj At Risk	0	0	0	0
	% At Risk	0.0	0.0	0.0	0.0
	Comm At Risk	0.0	0.0	0.0	0.0
	% Commit at Risk	0.0	0.0	0.0	0.0
Bangladesh	# Proj	24	28	26	24
	Net Comm Amt	2,142.5	2,530.5	2,318.1	2,043.6
	# Proj At Risk	6	5	3	7
	% At Risk	25.0	17.9	11.5	29.2
	Comm At Risk	710.4	597.7	325.3	782.5
	% Commit at Risk	33.2	23.6	14.0	38.3
EAP	# Proj	228	214	209	204
	Net Comm Amt	22,531.1	20,349.1	19,169.7	18,390.7
	# Proj At Risk	18	20	14	14
	% At Risk	7.9	9.3	6.7	6.9
	Comm At Risk	815.9	1,448.9	842.2	803.8
	% Commit at Risk	3.6	7.1	4.4	4.4

Source: BW 3a9 as of 9/5/06.

Annex Table 5: IBRD / IDA Net Disbursements and Charges
(in US\$ millions)

FY	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfers
FY03	457,870,151	1,790,908	456,079,243	12,249,692	156,233	443,673,318
FY04	426,765,827	4,944,677	421,821,150	17,142,486	5,435,191	399,243,473
FY05	407,861,349	9,795,626	398,065,723	21,255,258	8,858,987	367,951,478
FY06	418,909,899	17,932,557	400,977,341	23,009,875	7,749,693	370,217,773
Total	1,711,407,226	34,463,768	1,676,943,458	73,657,311	22,200,105	1,581,086,042

Source: World Bank Client Connection as of 9/6/06.

**Annex Table 6: Net Aid Flows (net or gross, ODA or ODA + OOD, as relevant)
(in US \$ millions)**

	2003	2004	2005*	TOTAL
Australia	40.00	48.35	-	88.35
Austria	1.57	1.63	-	3.20
Belgium	11.70	14.39	-	26.09
Canada	23.23	25.29	-	48.52
Czech Republic	2.04	3.05	-	5.09
Denmark	69.80	59.4	-	129.20
Finland	8.62	12.6	-	21.22
France	99.01	106.78	-	205.79
Germany	61.65	74.81	-	136.46
Hungary	0.44	0.94	-	1.38
Ireland	0.09	0.24	-	0.33
Italy	-3.13	-4.28	-	-7.41
Japan	484.24	615.33	-	1099.57
Korea	12.68	36.45	-	49.13
Luxembourg	10.35	10.83	-	21.18
Netherlands	38.76	52.32	56.10	147.18
New Zealand	1.95	4.06	-	6.01
Norway	11.53	12.05	-	23.58
Poland	0.41	0.58	-	0.99
Slovak Republic	0.02	0.10	-	0.12
Spain	7.85	6.31	-	14.16
Sweden	20.91	26.82	-	47.73
Switzerland	11.25	19.70	-	30.95
Turkey	-	0.04	-	0.04
United Kingdom	34.59	67.67	-	102.26
United States	33.73	30.49	-	64.22
Other Bilateral Donors	0.07	0.05	-	0.12
Total Bilateral Donors	983.36	1226	56.10	2265.46
Arab Agencies	0.57	3.69	-	4.26
Arab Countries	-3.69	-3.61	-	-7.30
AsDF	233.65	179.34	217.42	630.41
DAC Countries, Total	967.70	1184.79	56.10	2208.59
DAC EU Members, Total	361.77	429.52	56.10	847.39
EC	30.01	27.93	-	57.94
G7, Total	733.32	916.09	-	1649.41
GEF	1.37	0.65	2.32	4.34
IDA	565.18	435.73	-	1000.91
IFAD	5.47	5.62	7.20	18.29
Non-DAC Bilateral Donors, Total	11.97	37.60	-	49.57
Nordic Dev. Fund	1.17	6.54	0.40	8.11
Other UN	0.49	0.18	-	0.67
SAF+ESAF+PRGF(IMF)	-67.56	-71.60	-	-139.16
UNDP	0.46	6.4	-	6.86
UNFPA	5.30	7.74	-	13.04
UNHCR	0.06	-	-	0.06
UNICEF	4.14	4.42	5.14	13.70
UNTA	4.91	4.57	-	9.48
Multilateral, Total	785.22	611.21	232.48	1628.91
ALL Donors, Total	1764.89	1833.6	288.58	3887.07

*Preliminary

Source: DAC 2a as of 9/6/06.

Annex Table 7: Economic and Social Indicators

Series Name	Economic and Social Indicators for Vietnam 1994-2005												Average							
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Vietnam	Cambodia	Indonesia	Laos	Thailand	Bangladesh	Low Income	EAP
GDP growth (annual %)	8.8	9.5	9.3	8.2	5.8	4.8	6.8	6.9	7.1	7.3	7.7	8.4	7.6	7.1	3.7	6.4	3.9	5.1	5.5	7.9
GNI per capita, Atlas method (current US\$)	200	250	300	340	350	360	380	410	430	470	540	620	388	303	910	346	2362	381	401	991
GNI per capita, PPP (current international \$)	1280	1410	1540	1670	1760	1840	1990	2150	2310	2500	2730	3010	2,016	1,758	2,986	1,496	6,512	1,584	1,817	3,793
GDP per capita growth (annual %)	6.8	7.6	7.4	6.5	4.3	3.4	5.4	5.6	5.8	6.2	6.6	7.4	6.1	4.7	2.3	3.9	2.8	3.0	3.5	6.8
Agriculture, value added (% of GDP)	27.4	27.2	27.8	25.8	25.8	25.4	24.5	23.2	23.0	22.5	21.8	..	25.0	41.4	16.5	51.9	9.6	24.2	26.9	16.1
Exports of goods and services (% of GDP)	34.0	32.8	40.9	43.1	44.8	50.0	55.0	54.6	56.0	59.2	66.4	..	48.8	43.1	33.8	27.7	57.6	13.3	18.1	33.6
Imports of goods and services (% of GDP)	43.5	41.9	51.8	51.2	52.2	52.8	57.5	56.9	60.5	67.0	73.6	..	55.4	55.2	29.0	37.4	54.0	19.1	20.8	30.7
Industry, value added (% of GDP)	28.9	28.8	29.7	32.1	32.5	34.5	36.7	38.1	38.5	39.5	40.1	..	34.5	20.9	43.7	23.1	42.0	25.7	26.6	44.3
Services, etc., value added (% of GDP)	43.7	44.1	42.5	42.2	41.7	40.1	38.7	38.6	38.5	38.0	38.2	..	40.6	37.7	39.9	25.1	48.4	50.1	46.5	39.6
Current account balance (% of GDP)	..	..	-8.2	-5.7	-3.9	4.1	3.5	2.1	-1.7	-4.7	-2.0	..	-1.8	-9.3	1.4	-6.8	2.1	-0.6	...	...
Total debt service (% of exports of goods, services and income)	..	..	4.1	7.7	9.1	10.0	7.5	6.7	6.0	..	..	..	7.3	0.9	27.9	6.9	16.8	8.9	15.5	11.9
External debt (% of GNI)	156.2	124.0	108.2	82.6	84.1	82.0	41.7	39.0	38.7	40.6	40.1	..	76.1	72.8	81.9	138.5	60.5	35.5	48.2	31.3
Gross domestic savings (% of GDP)	16.0	18.0	17.1	20.2	21.7	24.8	27.1	28.8	28.7	27.4	28.3	..	23.5	5.3	28.6	...	33.0	16.3	20.1	36.3
IBRD loans and IDA credits (PPG DOD, Mn current US\$)	181	231	412	569	850	989	1,113	1,344	1,715	2,472	3,039	..	1,174	209	11,711	409	2,148	6,567	86,815	40,131
Inflation, consumer prices (annual %)	..	..	5.7	3.2	7.3	4.1	-1.7	-0.4	3.8	3.1	7.8	8.3	4.1	4.2	13.5	32.3	3.6	4.9	...	...
Immunization, DPT (% of children ages 12-23 months)	94.0	93.0	94.0	95.0	94.0	93.0	96.0	96.0	75.0	99.0	96.0	..	93.2	52.7	71.9	52.2	96.1	81.1	61.4	84.7
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	..	..	..	61.0	..	61.0	17.0	55.0	30.0	99.0	39.0	38.3	50.6
Improved water source (% of population with access)	..	..	..	..	..	..	..	..	..	..	85.0	..	85.0	41.0	77.0	51.0	99.0	74.0	75.1	78.5
Life expectancy at birth, total (years)	..	67	..	68	..	..	69	..	70	70	70	..	69.0	55.8	65.9	53.8	69.7	61.5	58.1	69.2
Mortality rate, infant (per 1,000 live births)	..	32	..	..	..	..	23	..	..	..	17.4	..	24.1	93.5	37.9	80.3	19.9	68.5	84.3	34.7
Population growth (annual %)	1.9	1.8	1.8	1.5	1.4	1.3	1.3	1.2	1.2	1.1	1.0	1.0	1.4	2.3	1.4	2.4	1.0	2.0	2.0	1.0
Population, total (million)	72	73	74	75	77	78	79	79	80	81	82	83	78	13	205	5	61	128	2125	1793
School enrollment, preprimary (% gross)	..	..	..	..	..	40.9	41.3	42.4	43.8	45.3	46.7	..	43.4	7.3	20.4	8.0	89.9	15.6	23.5	36.4
School enrollment, primary (% gross)	..	..	..	..	..	108.3	106.6	104.5	102.2	99.9	98.0	..	103.3	117.1	114.5	115.5	96.9	109.3	95.0	113.6
School enrollment, secondary (% gross)	..	..	..	..	..	61.5	64.6	66.6	69.1	71.8	73.5	..	67.8	20.9	59.3	39.4	79.4	49.9	42.7	65.1
Urban population (% of total)	21.8	22.2	22.6	23.0	23.5	23.9	24.3	24.7	25.1	25.6	26.0	26.4	24.1	16.7	41.3	18.7	31.1	23.1	28.2	36.6

Source: SIMA as of 9/5/06.

Annex Table 8: Millennium Development Goals

	1990	1995	1998	2001	2004
Goal 1: Eradicate extreme poverty and hunger					
Income share held by lowest 20%	..	..	..	8.0	..
Malnutrition prevalence, weight for age (% of children under 5)	45.0	45.0	40.0	34.0	28.0
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	37.0	29.0	..
Prevalence of undernourishment (% of population)	..	..	23.0	..	17.0
Goal 2: Achieve universal primary education					
Literacy rate, youth total (% of people ages 15-24)	94.0	..	..	..	94.0
Persistence to grade 5, total (% of cohort)	..	..	83.0	89.0	..
Primary completion rate, total (% of relevant age group)	..	..	96.4	102.3	100.8
School enrollment, primary (% net)	90.0	..	96.0	94.0	..
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliament (%)	18.0	..	26.0	26.0	27.0
Ratio of girls to boys in primary and secondary education (%)	..	..	91.5	93.0	94.3
Ratio of young literate females to males (% ages 15-24)	99.1	..	..	..	99.4
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	45.0	49.0	50.0	50.0	52.0
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	88.0	95.0	96.0	98.0	97.0
Mortality rate, infant (per 1,000 live births)	38.0	32.0	..	23.0	17.0
Mortality rate, under-5 (per 1,000)	53.0	44.0	..	30.0	23.0
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	..	..	77.1	85.0	90.0
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	130.0	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children orphaned by HIV/AIDS	..	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	..	75.0	..	79.0	..
Incidence of tuberculosis (per 100,000 people)	202.2	..	..	..	176.5
Prevalence of HIV, female (% ages 15-24)	..	..	..	-	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	-	..
Tuberculosis cases detected under DOTS (%)	..	29.6	82.6	83.4	88.8
Goal 7: Ensure environmental sustainability					
CO2 emissions (metric tons per capita)	0.3	0.4	0.6	0.8	..
Forest area (% of land area)	29.0	..	..	36.0	40.0
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	3.0	4.0	4.0	4.0	4.0
Improved sanitation facilities (% of population with access)	22.0	..	..	41.0	32.0
Improved water source (% of population with access)	72.0	..	..	73.0	80.0
Nationally protected areas (% of total land area)	..	..	..	..	3.7
Goal 8: Develop a global partnership for development					
Aid per capita (current US\$)	2.9	11.5	15.4	18.2	22.3
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	..	3.0	9.0	7.0	..
Fixed line and mobile phone subscribers (per 1,000 people)	1.5	10.9	25.7	54.1	130.6
Internet users (per 1,000 people)	-	-	0.1	12.7	71.4
Personal computers (per 1,000 people)	..	1.4	5.2	8.8	12.7
Total debt service (% of exports of goods, services and income)	..	4.0	9.0	7.0	..
Unemployment, youth female (% of female labor force ages 15-24)	..	2.9	3.8	7.1	4.9
Unemployment, youth male (% of male labor force ages 15-24)	..	3.5	4.3	4.7	4.4
Unemployment, youth total (% of total labor force ages 15-24)	..	3.2	4.0	5.9	4.6
Other					
Fertility rate, total (births per woman)	3.6	2.7	2.4	1.9	1.8
GNI per capita, Atlas method (current US\$)	130.0	250.0	350.0	410.0	540.0
GNI, Atlas method (current US\$) (billions)	8.5	18.5	26.9	32.3	44.6
Gross capital formation (% of GDP)	12.6	27.1	29.0	31.2	35.6
Life expectancy at birth, total (years)	64.8	67.1	68.1	69.7	70.3
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	90.3
Population, total (millions)	66.2	73.0	76.5	79.5	82.2
Trade (% of GDP)	81.3	74.7	97.0	111.6	140.0

Source: World Development Indicators database, April 2006.

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